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22 June 1962

# CURRENT INTELLIGENCE WEEKLY SUMMARY



State Dept. review completed

CENTRAL INTELLIGENCE AGENCY

OFFICE OF CURRENT INTELLIGENCE

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## CURRENT INTELLIGENCE WEEKLY SUMMARY

22 June 1962

THE WEEK IN BRIEF  
(Information as of 1200 EDT 21 June)

## SOVIET FOREIGN POLICY DEVELOPMENTS . . . . . Page 1

High-level Soviet statements on Berlin and Germany continue to reflect the Soviet leaders' appreciation of the risks involved in seeking their objectives through unilateral action and their apparent intention to continue negotiations with the US. Khrushchev, in his 19 June speech in Bucharest, reaffirmed the line he has taken since last March that there is no "deadline" on the Berlin question, but again warned that if no "understanding" with the US is reached, a separate peace treaty ending the "occupation status" of West Berlin will be signed. Izvestia editor Adzhubey

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spoke optimistically of the bilateral negotiations and asserted that the "only real remaining problem" is Western acquiescence to troop withdrawal, which he suggested might be resolved at a Kennedy-Khrushchev meeting.

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## USSR LOWERS DRAFT REGISTRATION AGE . . . . . Page 4

The USSR has announced that the military draft registration age has been lowered from 18 to 17. Moscow will probably follow this action by reducing the age for induction into the armed forces from 19 to 18. This measure, which would make an additional million men available for service, would compensate for the sharp drop in draft-age males resulting from the low World War II birth rate and permit the USSR to maintain current force levels with a minimum of economic disruption.

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## LAOS . . . . . Page 5

Investiture of the provisional government in Laos, originally scheduled for 18 June, has been delayed by a dispute over the wording of the royal installation decree. Souphannouvong and Souvanna feel that acceptance of the decree, which cites the recent vote by the Phoumi-controlled National Assembly approving the coalition, would implicitly acknowledge the right of the assembly to dissolve the government. They point out that provisions of the agreement at Zurich last summer expressly exclude such a dominant role for the assembly. Souvanna has stated he will attempt to tighten his control over the Pathet Lao and prevent North Vietnamese use of Laos as a corridor to South Vietnam.

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## ALGERIA . . . . . Page 6

The Algerian Provisional Executive and representatives of the OAS have reached an understanding on a truce--announced on 17 June--under which Europeans were promised an amnesty for political crimes and the right to participate in Algerian security forces. The truce was rejected by

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the OAS in Bone and Oran, but apparently is in force in Algiers, where violence has ceased. The European populations, however, places little faith in its terms. PAG sources in Tunis admit that negotiations leading to the truce were sanctioned by the PAG, but the latter is still unwilling to commit itself openly to the agreement. Meanwhile, OAS diehards are leaving Algeria either to participate in anti - De Gaulle activities in France or for refuge elsewhere.

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SOUTH VIETNAM . . . . . Page 7

A developing Viet Cong campaign to terrorize Americans is suggested by several recent incidents, including the third grenade attack in Saigon within a month. Large Communist forces are reported in the South Vietnamese - Laotian border area; cadres may be infiltrating from North Vietnam, or North Vietnamese units may have been transferred from southern Laos. Violations of Cambodian territory on 16 June by South Vietnamese forces operating west of Saigon will provide the Communists a further argument with which to urge Cambodia's Prince Sihanouk to press for an international conference on South Vietnam.

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WEST NEW GUINEA . . . . . Page 8

The secret talks interrupted last March may resume this month. The Indonesians still want a commitment that West New Guinea's administration will be transferred to them this year, leaving details to subsequent formal negotiations. The Dutch have given their representative considerable latitude and want to deal with as many detailed problems as possible in the early phase. Indonesia is likely to continue infiltration operations against New Guinea even if talks are held.

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CONGO . . . . . Page 9

Adoula and Tshombé continue their negotiations in Leopoldville. This week they passed over the problem of unifying their currencies, but agreed to set up a commission to study transport and communications problems. The next item on their agenda--the creation of another joint commission to bring about Katanga's economic reintegration with the rest of the country--is the most thorny of all and may bring the breakdown of the talks. Tshombé's supporters in Katanga, meanwhile, are urging him to return there. They claim they fear for his safety, but it is more likely that they fear he is conceding too much to Adoula.

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EAST GERMAN FOOD SITUATION . . . . . Page 10

The East German people--particularly industrial workers--are becoming increasingly vocal in expressing their resentment over the unsatisfactory food situation. The regime is concerned and has publicly admitted that consumers face even tighter food supplies in the remainder of 1962. Nevertheless, it is adhering to its announced intention not to shift its investment program to provide funds for

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additional food imports and has even decided to withhold some food supplies in order to improve 1963 prospects. The party central committee is to meet soon, probably to consider measures to deal with the problem.

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CUBAN INTERNAL POLITICAL DEVELOPMENTS . . . . . Page 12

Castro's show of military force on 16 June in Cardenas, second city of Matanzas, was an unusually strong reaction to antiregime disturbances there and elsewhere in that province. Grumbling over food shortages is widespread, and the regime may have selected Cardenas as an example to the rest of Cuba. Havana may, however, consider the potential for trouble particularly serious in Matanzas, where the provincial party machinery was thoroughly reorganized in April. The party organization in Oriente Province has also been substantially reorganized and, as in Matanzas, a veteran Communist was replaced as provincial party boss.

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## AFTERMATH OF THE PERUVIAN ELECTION . . . . . Page 15

Returns for Peru's 10 June presidential election continue to give Belaunde a lead which is slight but apparently sufficient to permit declaring him victor without recourse to Congress. His two principal opponents, Haya de la Torre and Odria, may charge electoral fraud, and Haya's APRA followers are threatening protest demonstrations. However, all three major parties are already starting political jockeying, apparently on the assumption of a Belaunde victory. Belaunde and Haya factions are each bidding for a congressional coalition with the Odriistas, and prospects for political stability are slim.

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## VENEZUELA . . . . . Page 16

The Venezuelan political situation remains tense. While Communists are planning new violence, military leaders continue their demands that the government outlaw the Communist party and its pro-Castro ally, the Movement of the Revolutionary Left (MIR). Betancourt plans the lesser step of suspending Communist and MIR members of Congress, which would restore his majority in the lower house, but he is not expected to act before Congress recesses on 6 July. His prospects for averting a military coup and gaining a political breathing spell to cope with economic and social problems depend largely on the government's ability to prevent new leftist outbreaks.

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## PROSPECTS FOR US BASE NEGOTIATIONS WITH SPAIN . . . . . Page 17

Spanish officials are unanimous that Spain should request additional concessions from the US in return for renewal of the ten-year US-Spanish bases and defense agreement, which expires at the end of September 1963. Some are urging that negotiations begin soon, possibly at the same time as those for renewal of the US-Portuguese agreements expiring this year. No consensus has yet developed on whether Madrid's demands should emphasize loans for economic purposes or increased military aid in the form of weapons and equipment. Thus far no specific political concessions have been mentioned.

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## FINNISH MISSILE PURCHASES . . . . . Page 18

The Finnish Government is still seeking British approval for changes in the 1947 Peace Treaty which would permit it to acquire surface-to-air guided missiles. If they cannot obtain London's approval, the Finns are likely to proceed without it and enter into negotiations to obtain missiles from the USSR, which has apparently indicated willingness to agree to the change and to supply the hardware.

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## CURRENT INTELLIGENCE WEEKLY SUMMARY

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SPECIAL ARTICLES

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## GREECE AND NATO . . . . . Page 6

Greek military forces, nearly all of which are committed to NATO, have been improved since Greek accession to NATO ten years ago but have not yet met force goals. The government, pledged to an economic development program designed to raise living standards to a level approaching those in Western Europe, complains that Greek defense costs are disproportionately high. The imminent end of US grant aid, plus dissatisfaction with NATO proposals for future multilateral assistance, has caused strains between Greece and its principal allies.

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## MOZAMBIQUE . . . . . Page 9

The Portuguese "overseas province" of Mozambique is beginning to feel the pressure of African nationalism. Although nationalist parties operating in neighboring territories have not made significant progress inside Mozambique, African grievances probably will be fanned with increasing frequency into violent incidents. Mozambique's severe economic difficulties have also increased the European population's long-standing discontent with Lisbon's policies; so far, however, white opposition too, while vocal, has been organizationally ineffective.

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## CURRENT INTELLIGENCE WEEKLY SUMMARY

WEEKLY REVIEW

## SOVIET FOREIGN POLICY DEVELOPMENTS

High-level Soviet statements on Berlin and Germany continue to reflect the Soviet leaders' appreciation of the risks involved in seeking their objectives through unilateral action and their apparent intention to continue the bilateral negotiations with the US. Khrushchev, in his 19 June speech in Bucharest, reaffirmed the line he has taken since last March that there is no "deadline" on the Berlin question, but again warned that if no "understanding" with the US is reached, a separate peace treaty ending the "occupation status" of West Berlin will be signed.

In a speech on 16 March, his first major foreign policy address since the 22nd party congress last October, the Soviet leader had asserted that there was no "fatal deadline" for the conclusion of a separate peace treaty, and the 7 June Warsaw Pact declaration also avoided any mention of a deadline. In the 19 June address, Khrushchev repeated the line he had taken on 9 June in a conversation with the Italian trade minister, declaring that there was no reason for the question of West Berlin to lead to a war.

In the Bucharest speech, the Soviet leader again referred to President Kennedy's observations concerning the conditions under which the US would take the initiative in a nuclear war against the Soviet Union and claimed that such "threatening remarks" have forced the USSR to give first priority to defensive needs over domestic economic considerations. Khrushchev went on to maintain that any attack on the Soviet Union would be "suicide" and that if a new war were unleashed, it

would be fought not only in the USSR and Europe but on US territory as well.

Izvestia editor Adzhubey on 15 June gave further evidence of continued Soviet interest in seeking a solution to the Berlin problem through negotiations.

he described the US-Soviet "negotiations" on Berlin in an optimistic vein, emphasizing that "areas of agreement" had already been achieved. He asserted that the "only real remaining problem" is Western acquiescence to troop withdrawal and suggested that this issue might be resolved at a meeting between Khrushchev and President Kennedy. Soviet leaders may be laying the groundwork for moving the discussions to a higher level if a deadlock on this critical issue continues.

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Adzhubey avoided any mention of the separate peace treaty issue, and the general tone of his remarks suggests that he was primarily intent on conveying Moscow's interest in continuing the Rusk-Dobrynin talks for the time being, with the hope of stimulating Western concessions on the troop-withdrawal issue.

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In his 15 June interview Adzhubey stressed the importance of the summit-level meeting as a technique for resolving important East-West problems and specifically

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attributed the Laos agreement to the Kennedy-Khrushchev meeting in Vienna last June. However, Soviet references to the efficacy of the summit seem more designed to demonstrate Moscow's present intention to continue the bilateral talks rather than an indication that it will call for an early summit meeting.

In an interview with US publisher Gardner Cowles on 20 April, Khrushchev sought to give the appearance of endorsing President Kennedy's views on the need for careful advance preparations for a summit conference, stating that the summit would be a "prerequisite" to confirm "some agreement on the question on which our common decision is required." He did not rule out the possibility, however, that the heads of government may have to meet to prevent a "military conflagration" if the "international situation becomes even more complicated."

Foreign Minister Gromyko took the same line in his 24 April speech to the USSR Supreme Soviet reporting on his talks in Geneva with Secretary Rusk. He stressed Moscow's desire for further "serious talks" to prepare "specific results" for submission to the heads of government.

Moscow TASS bitterly attacked Chancellor Adenauer's 17 June visit to West Berlin and claimed that his speech, together with West Berlin Mayor Brandt's address, was no more than an appeal for Western support of "Bonn's policy aimed at sabotaging a German peace settlement." TASS alleged that Brandt had openly called for further provocations on the border with East Germany.

Moscow radio, which so far has played Secretary Rusk's trip to Western Europe in comparatively low key, alleged that his visit was necessitated

by "ferment" within the Atlantic community. The commentary specifically singled out France's demand for an independent nuclear striking force in NATO and the "cooler than cool" attitude of Paris and Bonn toward the UK's admission to the Common Market.

**Disarmament and Nuclear Testing**

There has been no authoritative Soviet assessment of the Geneva disarmament conference, which on 14 June went into recess until 16 July. Moscow radio comment on the March-June sessions asserted that "successes have unfortunately been very minor." In a 12 June response to a letter of British Laborite Members of Parliament urging the USSR not to emulate the current US nuclear tests, Khrushchev remarked that prospects for a successful outcome of the 17-nation conference "cannot be regarded as encouraging." He noted, however, that the Soviet Union does not consider that it is impossible to break the deadlock on the disarmament problem, adding that success depends largely on how actively all the peoples exert influence on ruling quarters of the Western powers and insist on an end to the arms race.

At a 13 June "informal" meeting of the conference, the Canadian delegate suggested the foreign ministers might participate when the sessions resume. He pointed out that this would emphasize the importance and urgency of progress and would be in line with the statements of Kennedy and Khrushchev at the beginning of the conference that the heads of government would assume personal interest in the negotiations. Soviet delegate Zorin replied that the suggestion would be "studied," but said it would be "premature" to give an opinion at this time.

In a private conversation with US delegates on 12 June, satellite and nonaligned delegates

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welcomed the Mexican delegate's suggestion that the conference should recess again in September for about six weeks while the UN General Assembly discusses the problem. Despite Ambassador Dean's objection that a six-week adjournment would be entirely too long, the delegates present continued to agree with the Mexican delegate's views. The British delegate later told Dean that he agreed in substance with the Mexican delegate's stand.

Soviet leaders would probably welcome such an extended recess. They probably consider the UN a better forum for propaganda attacks on the US disarmament position and can expect to gain support for various generalized resolutions seconding Soviet views on nuclear-free zones and nontransfer of nuclear weapons to countries not now possessing them.

In his 12 June letter to the British Laborites and his 10 June response to a letter from the Japanese premier, Khrushchev reaffirmed the standard Soviet position that "national" detection means are sufficient to control a ban on testing. In both letters, he repeated the charge that President Kennedy has advocated initiating a nuclear attack on the USSR. In his first public comment on US plans to conduct high-altitude nuclear tests, Khrushchev told the Laborites that such testing is "another instance of deliberate aggravation of world tensions."

Arthur Lall, the principal Indian delegate at the disarmament conference, told US delegates on 17 June that he had "heard" that the next Soviet test series will include the trial of "200-megaton weapons from which extrapolation can 'easily' be made to 300 megatons." Lall did not indicate the source of his information, although it probably came from a member of the Soviet delegation.

Outer Space

An authoritative Pravda "Observer" article on 17 June

denounced US opposition to the Soviet proposals submitted to the Geneva sessions of the legal subcommittee of the UN Committee on Outer Space. These proposals, which included a draft declaration on "principles" regarding exploration and use of outer space and a draft treaty on the rescue of cosmonauts and space ships, were termed by "Observer" as a "firm basis" for international cooperation in the "conquest of the cosmos." One of the provisions in the "principles" declaration aims at banning the use of earth satellites for military reconnaissance purposes.

"Observer" argued that US representatives went to Geneva to justify, "with the aid of juridical pettifoggery," the Pentagon's plans for outer space. He cited recent US press articles speculating on this development and referred to US "spy" satellites, noting that they "have a particular military purpose." He claimed that the USSR has achieved the "greatest successes" in the mastery of space and has "all means" to prevent anyone's hegemony in space. He did not go so far as to demand cessation of alleged US military experiments in space as the price for US-Soviet cooperation in the peaceful uses of outer space.

While Moscow probably does not expect to get much support for its proposals in the Geneva subcommittee sessions, the "Observer" article suggests that Soviet leaders are probably laying the groundwork for a more extensive campaign at sessions of the UN parent committee and the 17th UN General Assembly next fall. The Austrian ambassador to the UN, who is also chairman of the outer space committee, recently told Ambassador Stevenson that a "majority" of the committee members were "irritated and concerned" about evidence that the US was starting to use outer space for military purposes, which they consider "inconsistent" with the declarations and objectives of the committee.

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**SECRET****CURRENT INTELLIGENCE WEEKLY SUMMARY****USSR LOWERS DRAFT REGISTRATION AGE**

The military draft registration age in the USSR has been lowered from 18 to 17, according to an announcement in the Bulletin of the Supreme Soviet Presidium. This action will probably be followed by a lowering of the age for induction into the armed forces from 19 to 18. This would be designed to maintain current forces levels.

It now seems extremely unlikely that the demobilization announced in January 1960 and suspended last year will be resumed soon. That announcement was followed by some demobilization, and by mid-1961 the force level had probably dropped from 3.6 to about 3.0 million. Sometime during the spring of 1961, however, the demobilization decision was apparently reversed; in July, Khrushchev formally announced its suspension. A month later the normal three-year military obligation in most military specialties and non-commissioned ranks was extended for an unspecified period, and inductees were taken in during the fall.

Although there has been some indication of discharges late in 1961, the force level now is probably between 3.25 and 3.5 million. Recent statements by Soviet military leaders, in particular Defense Minister Malinovsky, indicate that the present doctrine calls for maintenance of mass armies, presumably at about their present size.

According to the General Military Service Law of 1939, which is still in effect, men were required to register for conscription during January and February if they had reached age 18 by 1 January unless they were students in or graduates of a high school. Those in the latter category were required to register at age 17. Under emergency mobilization measures during World War II, men as young as 16 were conscripted. Since 1953, when conscription procedures of the 1939 law were reinstituted, men reaching age 19 during the calendar year of their

registration have been ordered into service during the second half of the year, usually in the autumn. Under the new regulation all men will be eligible for conscription at 18.

Moscow probably found this step necessary because the number of men reaching draft age is smaller now than at any time in the postwar period as a result of the sharp drop in the birth rate during World War II. The number of 19-year-old males actually declined from about 2.5 million in 1958 to less than 1 million in mid-1962 and will remain at or below 1 million until 1964; probably fewer than 800,000 of these will be available annually for service because of exemptions and deferments. A lowering of the draft age would make two age groups available simultaneously in the first year of its enactment. As a result of the postwar upturn in birth rates, the situation should ease somewhat during 1964, and nearly 2 million 18-year-olds will be available for induction in mid-1965.

While there are other possibilities for maintaining force levels--such as calling in older men who have not yet served--the course which apparently has been selected seems to be the least disruptive to the economy. The simultaneous call-up of two age groups for the draft should impose little additional strain on the economy insofar as civilian manpower requirements are concerned. By restricting full-time school enrollment to a minimum in high schools and colleges and pressuring teenagers into the labor force, the USSR for the past several years has overfulfilled its state labor force plans despite a slowdown in the growth of the working-age population. Should a temporary shortage of 18-year-old males occur, it could be offset by further restrictions on full-time study among the 16- and 17-year-olds.

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**SECRET****CURRENT INTELLIGENCE WEEKLY SUMMARY****LAOS**

Investiture of the provisional government in Laos, originally scheduled for 18 June, has been delayed by a dispute over the wording of the royal installation ordinance. Souvanna, apparently at the urging of Souphannouvong, has protested a clause in the decree which specifically refers to the recent vote of the National Assembly approving the new government, and thus implies the right to dissolve it. The Zurich Communiqué--issued last summer by the three princes--stipulated that the coalition would be formed "by direct designation and nomination by His Majesty the King without passing through the National Assembly." Souphannouvong has refused to visit Vientiane until the issue is resolved. The two princes apparently suspect Phoumi of attempting to maintain the power of the right-wing assembly at the expense of the Souvanna coalition.

An earlier point at issue was resolved on 20 June by the agreement of the Vientiane leaders to delete from the ordinance a clause noting that the new government's power would become effective throughout

the country only following an integration agreement. Souvanna had protested that such a provision would defeat the purpose of the coalition.

Souvanna apparently feels that the remaining differences can be resolved. He has said he is willing to remain in Laos for a few more days, but notes that he must return to Paris at least two days before the scheduled wedding of his daughter on 28 June.

Souvanna has expressed to Ambassador Brown his intention to exercise tighter control over the military activities of the Pathet Lao and the North Vietnamese. He said that he would not permit the use of Laos as a supply route to the Viet Cong in South Vietnam and claimed that he had given the necessary orders so that his troops can gain access to areas now controlled by the Pathet Lao, including Nam Tha. While the Pathet Lao may allow token neutralist representation in such areas, it is unlikely that they will agree to any significant dilution of their control over them. 25X1

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**SECRET****CURRENT INTELLIGENCE WEEKLY SUMMARY****ALGERIA**

25X1 After a month's negotiations, the Provisional Executive and the Secret Army Organization (OAS) in Algiers reached a truce, announced on 17 June. [redacted]

[redacted] OAS leader Susini had originally demanded what in effect would have been a permanent veto on actions of the future Algerian government as well as promise that the largely European centers of Algiers and Oran could secede. He settled for a promise of "amnesty" covering persons committing political crimes between the signing of the Evian accords on 18 March and 17 June and for the incorporation of some OAS elements into the Algerian security forces, conditions amounting to almost complete capitulation.

The US consul general in Algiers expects that, even though Europeans there place little stock in these promises, their exodus will be slowed. OAS diehards apparently are fleeing Algiers for Oran and Bone, where OAS leaders denounced the truce and continue their scorched-earth tactics. Even in these localities OAS activities seem to be waning, and OAS leaders and activists are expected either to go to France to resume anti - de Gaulle activities there or to seek refuge elsewhere. Susini's ultimatum of 19 June, in which he gave the Provisional Executive 48

hours to incorporate OAS elements into the security forces or face resumed violence, seems an act of bravado possibly aimed at compelling the Algerian provisional government (PAG) in Tunis to make an official statement on the truce. 25X1

[redacted] negotiations leading to the truce were sanctioned by that body but assert that the negotiators were not authorized to speak on behalf of the PAG. A PAG spokesman admitted to a US official on 19 June that the PAG's tactics were based on the premise that an unresolvable split existed between military and civilian elements of the OAS. The PAG moderates hoped to profit from this split without having to grant officially a special status for the European community. The truce agreement nonetheless will exacerbate dissension within the PAG, since it provides the militants with ammunition to charge that the moderates are collaborating with "fascists."

Meanwhile, a long pre-referendum statement issued last week by the PAG indicates that the future Algerian government will move rapidly toward agrarian and social reform, although it is expected also to solicit foreign investment to rebuild and develop the Algerian economy. [redacted] 25X1

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**SECRET****CURRENT INTELLIGENCE WEEKLY SUMMARY****SOUTH VIETNAM**

A Viet Cong campaign to terrorize Americans may be developing. There have been three grenade throwings in Saigon since mid-May, and the Viet Cong has warned non-American Caucasians to carry identity cards. In a well-planned ambush against an army convoy north of Saigon two US military advisers were killed. The ambush--the first battalion-size attack since early June--occurred near the site of villages constructed under Operation Sunrise, one of two major rehabilitation programs now under way. Documents found on a member of the Viet Cong killed in the attack identify

him with a company of the 500th Interprovincial Battalion, a seasoned unit which had apparently moved undetected from its last known location some 50 miles to the east.

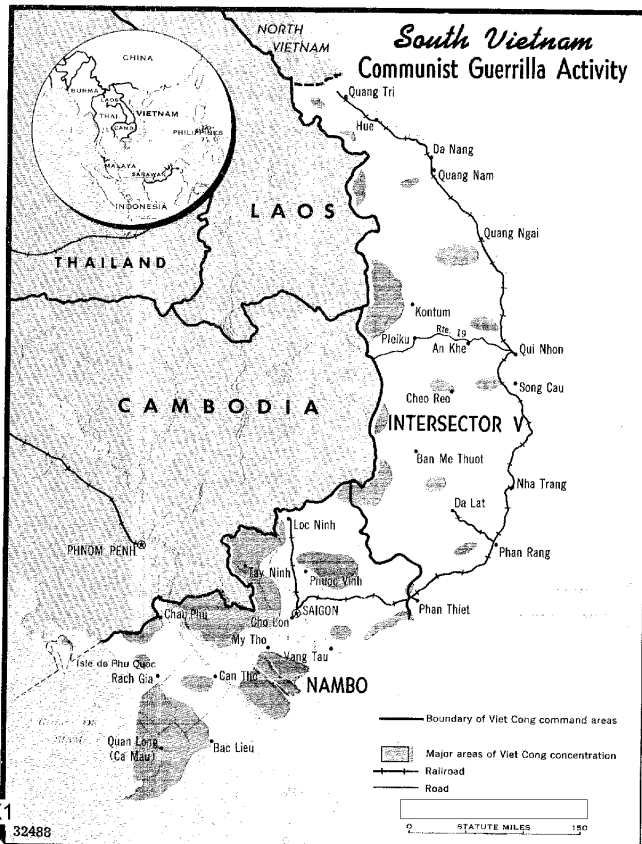
The reported presence on 9 June of a large Communist force in the South Vietnamese - Laotian border area

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suggests that North Vietnam may be stepping up infiltration of cadres or transferring some units now in southern Laos to South Vietnam.

The violation of Cambodian territory on 16 June by South Vietnamese troops engaged in security sweeps west of Saigon will provide the Communists further argument to encourage Prince Sihanouk to call for an international conference on South Vietnam. Sihanouk, who has already endorsed this approach, fears that the fighting in South Vietnam will eventually engulf his country.

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**SECRET****CURRENT INTELLIGENCE WEEKLY SUMMARY****WEST NEW GUINEA**

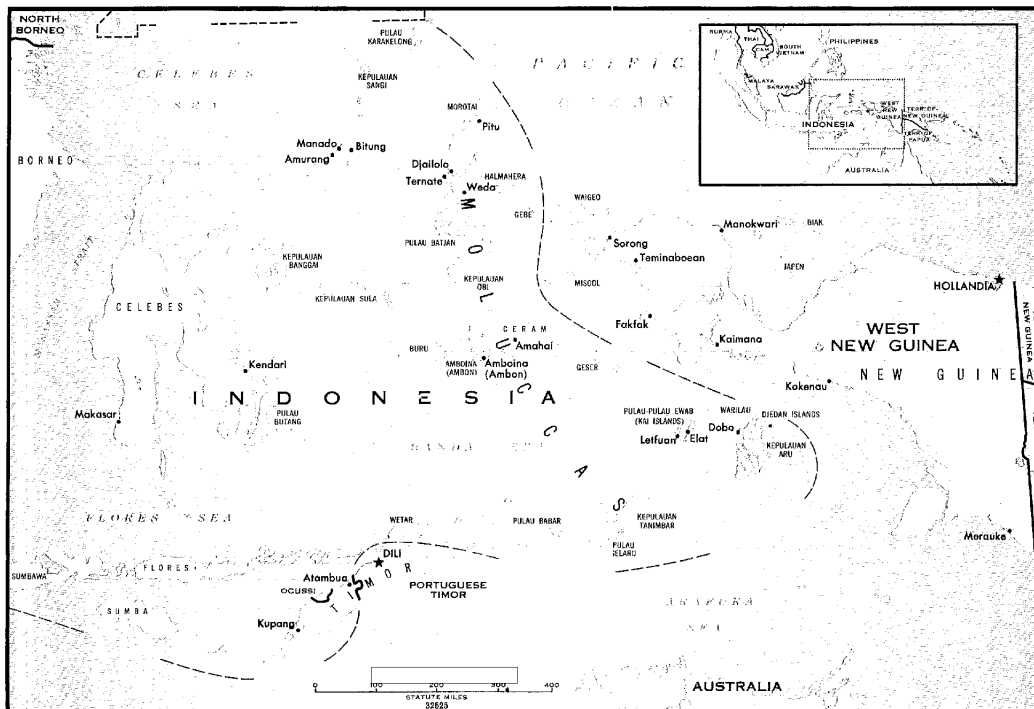
The secret preliminary Dutch-Indonesian talks on West New Guinea which were interrupted by Indonesia's withdrawal last March may be renewed late this month. The Netherlands announced publicly on 18 June that it accepted "in principle" US Ambassador Bunker's general formula for a settlement, thereby removing Indonesia's major objection to resuming talks.

Stalling by Indonesia at this time would be a clear indication that it wants to launch more military operations before talks begin. Foreign Minister Subandrio told Ambassador Jones on 16 June that should talks be resumed, the proposed Indonesian delegate, Adam Malik, would have only limited latitude. His principal aim would be to get "further reassurances" from the Dutch--presumably a definite commitment for transfer of West New Guinea administration to Indonesia before the end of 1962.

Subandrio said he would personally handle formal negotiations, which he appeared to think would follow within ten days to two weeks after the talks.

The Dutch ambassador to the US, who will represent the Netherlands in the preliminary talks, states that he has been given considerable latitude and believes that chances of reaching agreement are good. Unlike Indonesia, the Dutch look forward to clearing away a maximum of detail in the early discussions.

Subandrio told Jones that a cease-fire during either the preliminary talks or the formal negotiations would be "impracticable." He said Indonesia would not raise the question of Dutch reinforcements in New Guinea if the Netherlands did not raise the point of a cease-fire. He insisted that if negotiations should

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break down, Indonesia would declare war on the Netherlands. Should Dutch Foreign Minister Luns participate with Subandrio in the formal negotiations under the auspices of U Thant, a clash of personalities alone might cause a collapse of negotiations.

Recent Dutch success in achieving the surrender of rela-

tively large numbers of Indonesian infiltrators through the use of propaganda leaflets promising humane treatment may have increased Dutch confidence in coping with further Indonesian military activity. The Dutch announced in Hollandia that of some 500 paratroopers dropped in May, about 125 have been killed and an equal number have either surrendered or been captured. 25X1

### CONGO

The course of the Tshombé-Aoula negotiations remains slow and tortuous. Tshombé's refusal to withdraw Katangan currency from circulation produced this week a "temporary suspension" of discussions of the proposed joint commission to regulate monetary affairs. The problem has been turned over to experts for further study. On 15 June, however, the two leaders reached agreement quickly on establishing a commission on the non-controversial problem of regulating transport and communications.

Presumably they now will turn to discussions of the powers of a joint commission to effect Katanga's economic reintegration into the Congo. The major issue here is still the sharing of Katanga's mining revenues with the rest of the country. Dif-

ferences on this question are so great that if it is not similarly side-stepped by turning it over to the experts, it may be the issue over which the talks break down.

Tshombé's public statements last week--he contended he had conceded nothing pending an overall accord--were probably designed to allay apprehensions among his supporters in Katanga. Katangan Foreign Minister Kimba convoked foreign consuls in Elisabethville on 19 June to tell them that the Katangan population, concerned about Tshombé's personal safety, is pleading for him to return for a short time.

The American consul believes Kimba is staging this popular "demonstration."

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There is also disquiet among some officials in Leopoldville over the Adoula-Tshombé talks. A "synchronized" press campaign has been mounted on

the themes that the US is secretly helping Tshombé in order to protect its interests in Katangan mines, that the UN is "choking" Congolese sovereignty, and that the US calls the tune for both the UN and Adoula. The embassy is not certain, but believes the campaign may be inspired by some members of the "nationalist" wing of the Adoula government. Interior Minister Kamitatu, Kasai leader Joseph Ngalula, who is minister of education, and Vice Premier Christophe Gbenye, leader of the radical wing of Lumumba's old party, are members of this group, which retains deep suspicion of the "imperialists."

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**EAST GERMAN FOOD SITUATION**

Since early June, the East German people--especially factory workers--have been openly expressing dissatisfaction and resentment over the food supply situation. While there is no indication of a critical food shortage, food inventories are low, and the rate of procurement of major food items such as meat, milk, butter, eggs, and vegetables has been less than planned. These factors forced the regime to admit openly in a 13 June article in Neues Deutschland that the consumer faces tight food supplies for the remainder of 1962.

The food problem is a symptom of continued economic deterioration rather than a new development. An annual food crisis has become character-

istic of the East German economy, and shortages in 1962 were anticipated after the admitted shortfall of last year's harvest of grain and potato crops. Official statistics for the first quarter of 1962 have confirmed earlier predictions; meat production was 7.5 percent less than for the same period last year, milk 11.1 percent, butter 15.8 percent, and margarine 5.6 percent. Soviet announcements last March of additional trade credits to East Germany for food and an East German request for supplementary credits from West Germany in April for the purchase of food and agricultural products under the interzonal trade agreement reveal the regime's plight.

East German consumers now are aware that food may not

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only become increasingly scarce in the coming months but also that prices may be raised. Fear of the latter stems from the 1 June Soviet announcement of price increases for meat and dairy products in the USSR, and may be warranted, since a considerable quantity of East Germany's food imports are supplied by the USSR. Increased public discussion of the possible re-introduction of rationing may indicate that the population considers this course preferable either to price increases or to a continued deterioration of the food-supply and distribution situation.

While the regime frankly admits that the food shortcomings are a result of the poor 1961 harvest and claims that everything has been done to alleviate the situation through maintenance of imports at planned levels, it implicitly suggests that it can take only limited measures to improve the supply situation and places on the farmers the responsibility for increasing the supply. The urban consumer is, therefore, caught between the dissident farmers and the hard party line, which refuses to reduce imports of industrial raw materials in favor of agricultural products.

Party proclamations urging the consumer to think not in terms of today's needs but in terms of the future may be intended to pave the way for austerity measures later in the year. A recent East German Council of Ministers' decision

restricting the slaughter of breeding sows and providing for increased cattle and poultry production reflects a short-run measure aimed at improving future supplies and will actually reduce current supplies. Furthermore, harvest prospects of field and row crops this year are not promising, and the number of hogs has declined. A limited form of rationing--requiring customers to purchase at one specific store--already exists in most areas for butter and potatoes, and in some areas has been extended to include meat. A further adjustment in the distribution of foods may be made either by direct rationing or by raising prices.

Many reports indicate that the East German population is becoming increasingly restive as a result of the food shortages superimposed upon the heavy economic and political burdens thrust on them by the regime. Passive resistance in factories has risen, and women workers, standing in queues outside food shops to buy items in short supply, are open in criticizing the regime's policies.

The SED central committee is to hold its 16th plenum in the near future. Party leaders may reveal whether they intend to adhere to the unyielding approach outlined on 13 June or whether they will make concessions to consumers at the price of curtailing their program of industrial investments.

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CUBAN INTERNAL POLITICAL DEVELOPMENTS

The Castro regime on 16 June staged a sizable show of military force in Cardenas, the second city of Matanzas Province. A parade of troops, tanks, and heavy artillery, accompanied by an overflight of three MIG fighters, was followed by a rally addressed by President Dorticos and the provincial party first secretary, Major Jorge Serguera. The military show was an unusually strong reaction to antiregime disturbances in Cardenas and elsewhere in Matanzas, apparently involving public protest demonstrations over food shortages.

The regime may have selected Cardenas as an example to the rest of Cuba in response to widespread grumbling over the food shortages, but there are also suggestions that the regime has particular problems of longer standing in Matanzas which it regards as potentially serious. Fidel Castro, speaking there last April, said political "failures" there caused by the "sectarian" and "power hungry" machinations of veteran Communist Anibal Escalante had alienated many of the people. Escalante had been expelled from the national party leadership two weeks earlier. Later in April the provincial party machinery was reorganized, with Serguera replacing Leonidas Calderio, a veteran Communist, as provincial party boss.

In his speech last week in Cardenas, Dorticos placed primary blame for economic difficulties and shortages on "imperialist economic aggression." He admitted that "mistakes of ours" had been a contributing factor, but assured the audience that these mistakes, of which he said Matanzas had been a particular victim, are being "overcome on all fronts." Dorticos charged that economic difficulties had led "imperialism and the counterrevolution" to select Matanzas as a target for their plotting but expressed confidence that the people of the province would respond with the utmost vigor in defense of the revolution.

A 7 June speech by a party official in Oriente Province revealed for the first time that a thorough reorganization of the party machinery has also taken place there. As in Matanzas, a veteran Communist was replaced as provincial party boss. Captain Jorge Risquet--identified as the party's provincial organization secretary--stated more directly than any other Cuban leader has in a public speech to date that the veteran Communists had dominated the party's provincial organization and that this had led abuses of power which caused "discontent among the masses" and which now are being corrected. Risquet, an army officer closely associated with Raul Castro, also said that Minister of Industries Che Guevara had been one of the chief targets of the veteran Communists, who had tried to discredit him.

In an article published by Pravda on 13 June, Blas Roca offered Soviet readers an account of some of the difficulties slowing the development of a Marxist-Leninist party in Cuba. Roca, Cuba's ranking Communist for more than 25 years, explained that Escalante's "harmful activities"--which he implied were purely the result of individual faults--had had such serious consequences in the development of the party that "now we not only have to build, but also to rebuild... and begin work again from scratch." Roca described how the party is systematically being built beginning with meetings in "every workers' center." The publication of Roca's article in Pravda may have been intended to demonstrate continued Soviet support for him and for his position in the Cuban leadership. Blas Roca is now the only veteran Communist on the key six-man secretariat of the party's National Directorate, which is headed by Fidel and Raul Castro.

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**AFTERMATH OF THE PERUVIAN ELECTION**

Ten days after Peru's presidential elections of 10 June, only half of the ballots had been officially counted. These returns, as well as the unofficial returns supplied by various news services and the Peruvian Army, give Fernando Belaunde Terry of the leftist Accion Popular a lead which is slight but apparently sufficient to assure him the required plurality--more than one third of the total votes cast--to become president without congressional action.

Military officers supervised the official counting of ballots, acting as arbiters in disputes among the civilian members of the National Elections Board, and in the process were able to invalidate many ballots. In view of the pre-election threat of military leaders that they would prevent the election of Victor Raul Haya de la Torre, candidate of the reformist, anti-Communist APRA, charges that Belaunde's victory is fraudulent now seem inevitable.

Haya himself appears willing to accept defeat, but rank-and-file members of APRA have threatened to call a general strike if they decide Haya has been defeated by fraud.

Most of the union leaders in Peru are APRA men and can carry out their threat to strike with little difficulty. If the army is called out to assist the police in maintaining order, violence may reach major proportions.

Fear of such violence, as well as the desire to maintain some semblance of control over the situation, has led leaders of APRA to initiate negotiations for a congressional coalition with the supporters of Manuel Odria, former dictator and presently the third-ranking candidate. Such a coalition would control a majority in both houses of congress and thus give APRA a veto but not a voice in the government.

Accion Popular is also courting Odria's supporters, and an anti-APRA coalition may be formed. APRA's long-standing opposition to Communism will make leftists among the supporters of both Odria and Belaunde especially virulent in attacks on it.

The leftists might be able to break APRA's strong democratic influence in the Peruvian labor union movement if APRA lost its political position in Peru.

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**SECRET****CURRENT INTELLIGENCE WEEKLY SUMMARY****VENEZUELA**

The Venezuelan political situation remains critical. The government is under heavy pressure from the military to outlaw extreme leftist parties, and the Communists are plotting new violence. President Betancourt is taking steps to prevent further leftist outbreaks, but he is hampered by a hostile Congress and opposition from his Social Christian partners in the government coalition.

Many military leaders are dissatisfied with the government's failure to take effective action against the leftists after the recent Puerto Cabello uprising.

The sharp division between the President and Congress continues. The opposition-controlled lower house--fearing dissolution by executive decree--is attributing the political crisis to Betancourt's inability to alleviate Venezuela's social and economic problems. Several congressmen from the Communist party and from the Movement of the Revolutionary Left (MIR) were identified as leaders of the uprisings at Carupano and Puerto Cabello.

President Betancourt has announced plans to suspend all Communist and MIR members from Congress, but will probably not do so until Congress recesses on 6 July. As a by-product of the suspension, his coalition would regain the lower house majority it lost when Betancourt's own party split last March. He

is believed to be reluctant to accede to military demands to outlaw the MIR and the Communist party because of the doubtful constitutionality of such a move. The Social Christians--determined to uphold democratic procedure--are strongly opposed to extralegal means of combating subversion, despite obvious threats to the government's survival.

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most military leaders are considered to be loyal and prepared to suppress further leftist outbreaks. Betancourt still commands widespread support among labor, business, and the rural population. The Venezuelan Confederation of Workers and the Rural Workers Federation--each dominant in its field--have planned a country-wide demonstration in protest against subversive groups, and Venezuela's most important business organization has called for cooperation with the government.

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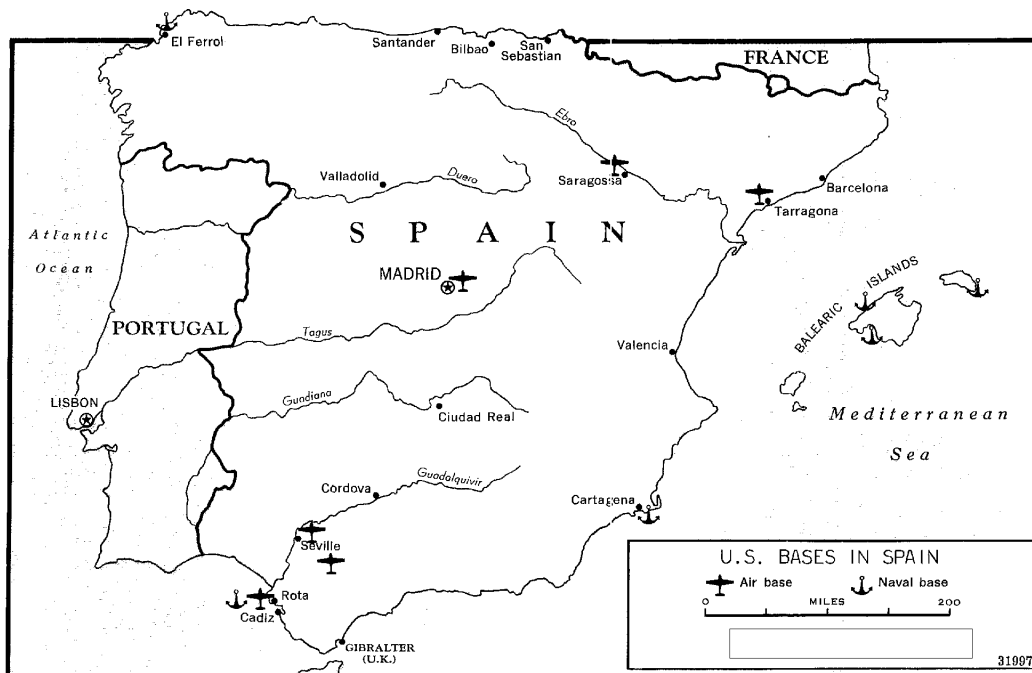
**SECRET****CURRENT INTELLIGENCE WEEKLY SUMMARY****PROSPECTS FOR US BASE NEGOTIATIONS WITH SPAIN**

Spanish officials are unanimous that Spain should request additional concessions from the US in return for renewal of the ten-year US-Spanish bases and defense agreement, which expires at the end of September 1963. Some are urging that negotiations begin soon, possibly at the same time as those for renewal of the US-Portuguese agreements expiring this year. No consensus has yet developed on whether Madrid's demands should emphasize loans for economic purposes or increased military aid in the form of weapons and equipment. Thus far no specific political concessions have been mentioned.

The Spanish agreement provides for automatic renewal in two successive five-year extensions, unless one of the signatories requests cancellation. Since it was drawn up, the US has provided Spain with more than \$1.2 billion in military

and economic aid, but Spain has been pressing for greater US assistance, particularly in the modernization of Spain's military equipment, which US officials rate as "at best, obsolescent."

According to Spanish Ambassador Garriques, Minister of the Army Barroso has been urging that the main condition for extension of the agreements be "much larger" MAP aid for Spain --\$200 million is the amount most often mentioned--while Navy Minister Arbasuza has been insisting on additional equipment, such as aircraft carriers. Commerce Minister Ullastres, on the other hand, stresses the need for continued US economic assistance. He leads a group hoping for access to AID funds, presumably in the form of long-term low-interest loans. Garriques said the Spanish Foreign Ministry



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hoped to play a coordinating role in base negotiations, but that Foreign Minister Castiella was unlikely to push for any specific political condition.

Castiella, in a 30 May conversation, advised Ambassador Woodward to avoid discussions with the Spanish armed forces, which could be expected to make "excessive" requests. The foreign minister's allusions to changes in circumstances since the 1953 negotiations--such as have resulted from the development of new weapons, the independence movement in Africa, Spain's interest in the European Common Market, and Spanish

relations with Portugal--suggest that he believes Spain would fare better in negotiations on the US agreement if these paralleled the US-Portuguese talks. Foreign Affairs Undersecretary Cortina had earlier said he did not envisage that Spanish negotiations could get under way until 1963.

When they do take place Spain may try to elicit some statement of US backing for the Spanish position in Africa. Meanwhile, Franco, who will make the final decision, has given no intimation of his terms or his views on the timing of negotiations. 25X1

## FINNISH MISSILE PURCHASES

The Finnish Government is still pressing the UK to agree to amend the 1947 Peace Treaty so as to permit Finland to acquire a surface-to-air missile defense capability. The USSR and the UK are the principal signatories of the treaty--to which certain Soviet Republics and Commonwealth members are also parties. The Finns believe that the UK's foot-dragging stems from deference to the views of the United States.

Finnish military leaders are convinced that Finland must begin at least a token modernization of its defense establishment so that in the event of a major international crisis the Finnish Government will be in a position to decline any proffered Soviet "assistance" under the 1948 treaty with the USSR.

The Finns desire to purchase equipment from both East and West in order to demonstrate their neutral position and have received expressions of approval and support from the governments

of Denmark, Norway, and Sweden. The Finns have stated that they plan to purchase from the UK the Bloodhound I and Thunderbird surface-to-air missiles, both of which contain components incorporating US classified information, although no funds have yet been allocated in the defense budget.

If Finland is unsuccessful in changing the 1947 treaty and acquiring British missiles, they are likely to abandon efforts to procure Western equipment and rely solely on the purchase of Soviet missiles. The Finns have some \$38.8 million in ruble credits available for arms purchases from the USSR. Moscow apparently is willing to supply an unspecified number of supersonic MIG-21 aircraft armed with air-to-air missiles, and the Finns also intend to obtain three Soviet surface-to-air missile batteries (presumably 18 launchers armed with SA-2 missiles) for the defense of Helsinki.

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**SECRET****CURRENT INTELLIGENCE WEEKLY SUMMARY****GREECE AND NATO**

The meeting of the ministerial council of the North Atlantic Treaty Organization in Athens from 4 to 6 May marked the tenth anniversary of Greek accession to NATO. Appropriately, the meeting dealt at some length with the special economic problems faced by Greece and Turkey.

**Greek Dependence on US Support**

The seating of the Greek delegation at the NATO Council in February 1952 symbolized the acceptance of Greece as a full partner in the Western alliance. The Greeks then as now, however, consider NATO largely a shell surrounding the real core of Greek defense and foreign policies--Athen's special relationship with the United States. The closeness of this relationship, which began in 1947, has been demonstrated frequently at NATO meetings, where the Greeks normally leave overall planning and execution of NATO defense to Washington.

Acutely aware of Greece's weakness and need for US assistance and protection from Communist aggression, the Greek delegation usually sides with the US when disagreements arise among the major NATO powers. The Greek Government has normally responded rapidly to American initiative in defensive measures --as it did last fall during the Berlin crisis, when the Greek military posture was promptly improved.

Special reliance on Washington has also been dictated by irritants in relations between Greece and most other members of NATO during the past decade. The Cyprus issue destroyed a vast amount of good will toward Britain built up over a century, and it nearly brought a collapse of relations with Turkey. France, Portugal, the Netherlands, and Belgium, as colonial powers, usually opposed Greek moves in the UN for Cypriot self-determination. The Italian and German occupations during World War II, moreover, have not been forgotten by the population, somewhat restricting the Athens government's freedom in seeking closer relations with Bonn and Rome.

**Greek Contribution to NATO**

Greece's contribution to NATO is principally one of strategically located real estate. US and NATO military and naval bases are located in Greece, the most recent addition being a NATO missile training base now under construction on Crete. The government, wary of opposition criticism that it is endangering Greek cities by permitting the creation of military bases on Greek soil, is reluctant to publicize the presence of some of these bases.

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Almost all the Greek ground 25X6 forces, numbering about 120,000, and the entire air force of ten squadrons are committed to NATO. A contingent of Greek officers is in Izmir, Turkey, headquarters of Allied Land Forces, South-eastern Europe, and of the 6th Allied Tactical Air Force. The Hellenic Navy, under national command, participates in Allied naval exercises in the eastern Mediterranean and would be assigned NATO missions in time of war. Overall, Greece's military establishment is capable of maintaining internal order and would wage a strong defense against an invasion by contiguous satellite forces unsupported by Soviet troops.

**Greece's Relations With Neighbors**

While generally willing to go along with overall NATO requirements, Greece has also attempted to tailor its own forces with an eye on potential threats from its neighbors--particularly Bulgaria and Albania. The Greeks regard Bulgaria as the most serious potential threat to their security, both as a staging point for invasion and as a base for the infiltration of agents who enter Greece in considerable numbers. The ideological split between Tirana and Moscow has considerably reduced Greek fears of an Albanian move against Greece in conjunction with other bloc forces.

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Relations with Yugoslavia and Turkey have fluctuated widely over the past decade. Shortly after joining NATO, Greece took a leading role in formation of the Balkan Pact with these two countries. Because of the severe strains in Greek-Turkish relations during the Cyprus controversy from 1954 to 1959, the pact became moribund. Following the Cyprus settlement, Athens' official relations with Ankara returned to normal, but there is a residual mistrust in the press.

There has been some deterioration in recent months of Greece's previously close relations with Yugoslavia--largely due to disagreement over the status of the Macedonian minority in northern Greece. Greek leaders also have become increasingly suspicious of Belgrade as Soviet-Yugoslav relations have improved.

Defense Spending Versus  
Economic Development

Despite considerable growth in the economy and improvements in the defense force during the past decade, Greek leaders are worried about the future. The per capita share of the gross national product (GNP) in Greece was about \$380 in 1961, compared with about \$1,100 in the industrial states of Western Europe. In that same year, Greek defense expenditures amounted to 5 percent of the GNP, below the figures for the US, Britain, France, and Turkey, but above those for all other NATO states.

Realizing that the political stability of the past ten years has been due largely to slow but definite economic progress, Premier Karamanlis is determined to move ahead on his ambitious development program. He is spurred by realization that the annual rates of economic growth of Bulgaria, Rumania, and Hungary have all surpassed that of Greece in recent years and is tempted to find some of the capital he needs in the funds allocated to defense.

The government is under pressure from Greek military leaders who are troubled by the nation's inability to reach NATO force goals. While these leaders are confident of full

NATO support in case of a nuclear exchange or a conventional war, they are worried that Greece might not receive immediate and effective assistance in case the bloc launched small-scale attacks by unconventional means. 25X1

Military and Economic Aid

The relationship between Greece and NATO in the economic field is currently of greatest interest to Greek leaders. Since 1947, the US has contributed nearly all of the military and economic aid received by Greece. In recent years, Military Assistance Program deliveries have averaged about \$80 million annually, while defense support in the form of grant aid has fluctuated between \$15 million and \$30 million. For fiscal year 1962, American direct budgetary support to Greece was set at \$20 million. Athens was informed, however, that US grant aid would not be continued thereafter.

Greek leaders have refused to accept the fact that grant aid is over and have protested that in such circumstances the country cannot maintain its defense forces at their present level--to say nothing of moving toward NATO force goals--and simultaneously carry on their economic development plan. They have warned that elimination of grant aid will result in a cut by a similar amount in their defense budget. Such a cut would be made for political rather than economic reasons; despite a rise of some 13 percent in GNP in the last two years and good prospects for further growth, the percentage of GNP earmarked for defense has actually decreased--from 5 percent in 1959 to an estimated 4.5 percent in 1962.

The Greeks have been reluctant to accept the proposal that

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the previous amount of grant aid be replaced by long-term, low-interest loans from the wealthier NATO countries. The government has also refused to accept the concept of loans for military expenses and states that neither internal borrowing nor increased taxation can be utilized for defense expenditures.

The Greek defense budget for 1962 was approximately \$165 million, including \$20 million in US-provided defense support. The actual contribution by the Greek Government, therefore, was \$145 million. The NATO-agreed level of Greek defense expenditures for 1963 is not yet firmly set, but [redacted] it will probably be boosted to about \$175 million. Five million dollars will be in the defense support pipeline in 1963 and thus available, but a call on Athens to increase Greek net expenditures by some \$25 million next year will probably lead to new, emotionally pitched demands for further grant assistance from the US and other NATO members.

NATO "Wise Men's" Report

Fearing the US would soon end grant aid, the Greek Government in 1960 proposed the establishment in NATO of a "special fund for defense support" in which each member would contribute in proportion to its financial capabilities and from which members could receive assistance to fulfill their NATO obligations. This proposal found little support within the alliance, but the major powers, recognizing the need to assist in the economic development of Greece and Turkey, sponsored a plan in May 1961 to establish a three-member team of "wise men" to investigate and make recommendations for assistance to these two countries.

The three "wise men," Edgar Faure of France, Hans Karl von Mangoldt of Germany, and John Ferguson of the US, submitted a report in April 1962 recommending external assistance amounting to \$600 million for Turkey and \$60 million for Greece in 1963 and 1964, over and above the amount of foreign aid already anticipated for Greece (about \$100 million). The report also suggested that NATO not undertake to administer these programs but that its members turn to an existing international organization--the Organization of Economic Cooperation and Development--where consortia could be created for this purpose.

Athens' initial reaction to this report was highly negative, and Prime Minister Karamanlis threatened to reject it outright. He contended that it was politically impossible for him to accept the large difference in aid proposed for Greece and Turkey or the statement that long-term loans would eliminate the need for continued grant aid. Greek leaders contended that the government's efficient utilization of aid over the past decade was being "ill rewarded" in comparison to Turkey's "spend-thrift" policies. This reflects a long-held attitude in Athens that aid should be a reward for effective use of assistance rather than the response to economic need.

Karamanlis was partly mollified by an explanatory letter from the "wise men" and a note from the secretary general of NATO providing for a special examination of Greek defense needs by a selected group of members of the alliance. The showdown threatened at last month's NATO meeting was thus averted, but the report was later obtained by opposition leaders and newspapers, who attacked Karamanlis for his "failure" to present the nation's needs adequately and thus secure more assistance from his allies.

Karamanlis' reply to his critics in parliament was a statesmanlike defense of NATO emphasizing the benefits which have accrued to Greece as a result of its membership in the alliance and expressing confidence in the mechanisms which the alliance set up at the Athens meeting to provide Greece with future economic and military assistance.

Outlook

Greek relations with NATO over the next few years will be determined largely by the events of the next few months. Greece remains a poor country by NATO standards, and government and opposition leaders feel that defense expenditures are disproportionately high. If studies by NATO organizations and the Greek Government indicate that still higher expenditures are needed to meet the Communist threat, Athens will expect NATO countries to provide funds--presumably as grant aid. The Greeks will watch intently the practical results to be achieved from creation of a consortium to replace almost exclusive reliance on US aid. [redacted]

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**SECRET****CURRENT INTELLIGENCE WEEKLY SUMMARY****MOZAMBIQUE**

The Portuguese "overseas province" of Mozambique is just beginning to feel the pressure of African nationalism. Nationalist parties, operating from neighboring territories to the north and west, have not been able to make significant progress inside the province in the face of Portuguese security measures and the extreme backwardness of the native population. Local grievances do exist, however, derived largely from the severe economic recession and the Portuguese policy of authoritarian paternalism. These grievances could be fanned by nationalists into local incidents. Mozambique's economic difficulties have also increased the European population's long-standing discontent with Lisbon's policies. So far, however, white opposition, while vocal, has been organizationally ineffective.

**Economic Background**

Mozambique is far poorer and less developed than Angola, the other major Portuguese holding in Africa. It lacks Angola's mineral resources and relatively healthful uplands; moreover, it has no foreign exchange earner such as Angola's coffee crop. Most of its income from exports comes from crops, such as cotton, which are sold on the protected market in Portugal, processed there, and resold to Mozambique. The province's currency is not freely exchangeable with that of Portugal, however, and the resultant chronic trade deficit with the metropole is one of the major factors behind the current recession. Recently the effects of the unfavorable trade balance have been aggravated by a flight of capital to Portugal; gold and foreign exchange, including reserves of metropolitan currency, are at their lowest levels in years.

The only important outside support for the provincial economy is revenue from the port and transit facilities in Mozambique used by South Africa and the Federation of Rhodesia and Nyasaland. These revenues ac-

count for about a third of the Mozambique Government's ordinary income.

**The White Population**

Mozambique's administrative ties with Lisbon are weaker than Angola's; it was governed from Goa for many years. This fact, added to the large Asian population and the natural eastern orientation, has made Mozambique's 70,000 whites somewhat more cosmopolitan and "un-Portuguese" than their 200,000 compatriots in Angola. Although they are few in number, the Mozambique whites have a tradition of dissent from Portuguese policy. In the presidential elections of 1958, General Humberto Delgado, running against the candidate favored by Salazar, polled 34 percent of the vote in Mozambique, compared with 31 percent in Angola and 25 percent in Portugal. However, this dissent is kept within bounds by the administration, which is appointed by Lisbon and is responsive to its directives.

Whites in both Angola and Mozambique have suffered in the past as a result of Lisbon's conservative economic policies. Mozambique has a smaller economic base than Angola, however, and is not receiving the large military expenditures which are coming into Angola. Thus, although there has been considerable investment, both public and private, in the province, the economy is declining. Construction, except for military projects in the north, is almost at a standstill, and the government is behind in its payments to local contractors.

The provincial government has placed stringent controls on the transfer of capital outside the province--controls which have not been particularly effective in stemming the capital flight to Lisbon. In addition, at the beginning of this year, the government made it almost impossible to obtain import licenses.

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These restrictions were loosened somewhat in April, but the remaining regulations reportedly aim at keeping the value of imports a third less than last year. Moreover, internal taxes have been increased.

These measures have severely reduced economic activity and have stirred up what for Mozambique is a storm of criticism. There have been protest meetings, particularly in the traditional opposition center of Beira, and two bomb explosions in the capital, Lourenco Marques--one of which blew the head off a statue of Premier Salazar.

Although the whites presumably will continue to grumble and some may hope for an autonomous or even an independent Mozambique

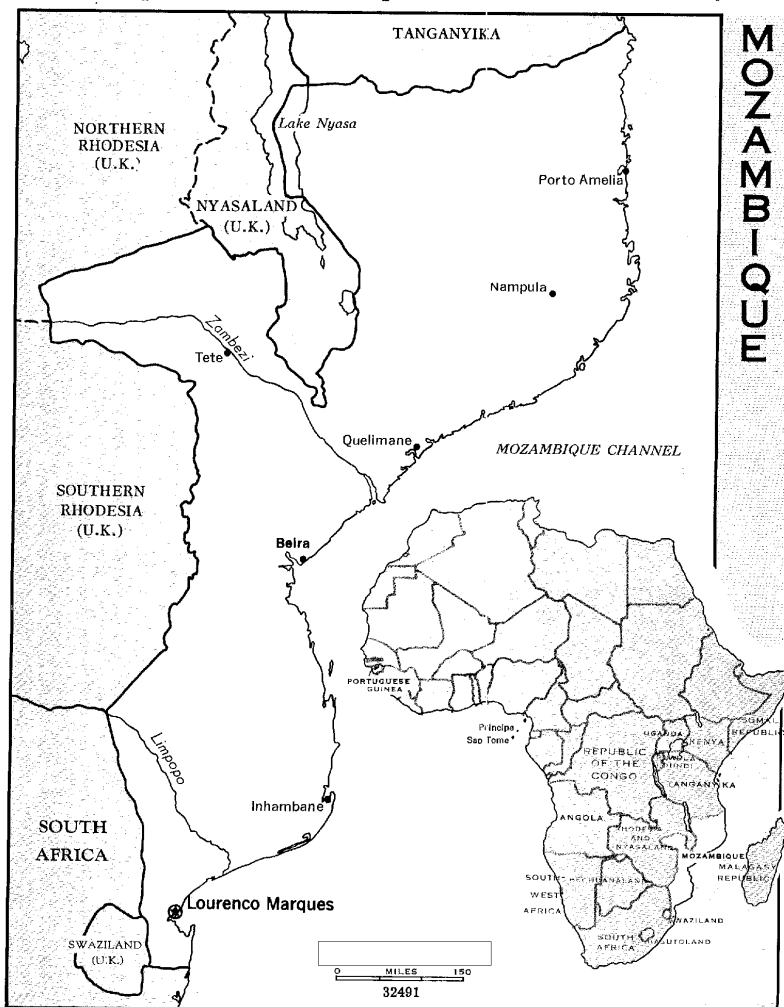
under their control, they lack the organization and probably the will to challenge Salazar's authoritarian state.

Ultimately, they seem likely to attain the status now held by whites in Kenya: that of a defensive minority trying to hold what it has against increasing African pressure.

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### The Africans

The 6,300,000 Mozambique Africans lag far behind those in Angola, both economically and educationally. American



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officials estimate that only about 600,000 of them work regularly for wages; the rest are primarily farmers raising only what they use themselves, although they may grow some cash crops at Portuguese prodding. Before recent reforms ended the legal distinction between "civilized" and "noncivilized" inhabitants, only about 5,000 Africans in Mozambique had attained "civilized" status, compared with about 30,000 in Angola.

The most advanced parts of the province are to the south, next to white-controlled Southern Rhodesia and South Africa; most of northern Mozambique is extremely backward. In addition, the terrain, particularly in the north, is less suitable for guerrilla activity than in northern Angola, and the Portuguese, determined to avoid an Angola-type rebellion, have imposed strict security measures. Mozambique thus is not fertile ground for nationalist activity.

Two nationalist groups operate in territories adjacent to Mozambique. One of these--the Mozambique African National Union (MANU)--evolved out of an association of Maconde tribesmen, a relatively primitive group which lives on both sides of the Tanganyika-Mozambique border and seems to operate mainly in Tanganyika and Kenya. The other, the Mozambique National Democratic Union (UDENAMO), has no clear identification with any tribe in the province; it is a member of the Communist-influenced Conference of Nationalist Organizations of Portuguese Colonies.

Discontent exists among Mozambique Africans of all degrees of sophistication. This discontent is based largely on local and personal grievances over the lack of educational or economic opportunity and the harshness of Portuguese rule; as such it is difficult to mobilize. In the past there have been only a few largely spontaneous outbreaks--notably a brief uprising among the Maconde in northern Mozambique in June 1960. The Portuguese cannot keep all nationalists out, however, and such outbreaks seem likely to become more frequent in the future. Discontent is also likely to increase as African laborers in Southern Rhodesia and South Africa bring back the nationalist ideas they have come in contact with there.

#### Attitudes of Neighboring Areas

The territories around Mozambique all have problems of their own. Of the African-dominated areas, only Tanganyika has been conspicuous in its support of Mozambique Africans; it is extremely poor, however, and its activities seem to have been confined to providing office space and perhaps some cash. The undeveloped nature of the Tanganyika-Mozambique border area, with its poor communications and backward population, adds to the difficulties of running nationalist operations from the north.

Nyasaland, which is better located to influence events in Mozambique, has so far shown little interest. There has been

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considerable movement of Mozambique Africans into Nyasaland, and Hastings Banda, leading African nationalist in that territory, has made some effort to stir up irredentist sentiment among them. Basically, however, Banda is more interested in developments within the federation; moreover, his outlook is provincial, and he has so far shown little territorial ambition. He also seems aware of the potential stranglehold Portugal has in its control of Nyasaland's access to the sea; recently he has gone to some length to assure Lisbon of his good will. This attitude may change if developments in the federation reduce Banda's preoccupation with constitutional problems there, or if he is put under strong pressure from other African countries to step up his anti-Portuguese activity.

The white-controlled territories to the south have shown concern over possible developments in Mozambique. So far no consultative machinery has been set up among South African, Southern Rhodesian, and Portuguese authorities, however. Unless African pressure increases greatly, formal organization seems unlikely as long as the constitutional and policy differences among the various white territories persist.

#### Portuguese Actions

Simultaneous disturbances in both Angola and Mozambique could be disastrous for Portugal, and officials in the Portuguese Government, including Salazar himself, anticipate trouble in Mozambique in the relatively near future. To meet this situation Portugal has combined a stepped-up internal security campaign with attempts to work major changes in Mozambique's racial policies.

Troops in the province now number 16,000. Between half and

two thirds of these are Africans, but most of those in the north are whites who were sent from Portugal after the Angolan uprising began. These troops operate in small units, spending most of their time on patrol. To facilitate supply operations, the Portuguese are building airports throughout the north and are turning the airport at Beira into a major transportation and supply center.

At the same time, Portugal has abolished the distinction between "civilized" and "uncivilized" persons, has drastically revised its labor legislation to reduce the hardships on the African, and is embarking on a program to expand Mozambique's school system. It is also working on a project which, over a period of years, is designed to remove the currency and customs barriers between the overseas territories and the metropole. Lisbon presumably hopes by these measures to buy time, as well as to soften international criticism.

It remains to be seen whether these reforms will go beyond the paper stage or, if they do, what their ultimate impact will be. In abolishing the African's former status, Portugal seems to have consigned him to a legal limbo where neither his rights nor his duties are clear. Practical steps in the direction of economic and educational advance have been limited by Portugal's own poverty and by its unwillingness to move the Africans forward too rapidly. Other reforms, such as the currency and tariff revisions, seem aimed too far in the future. A gradual growth of African nationalism, generated primarily from outside but with occasional violence in the interior, seems certain.

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